

Message Text

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ACTION COME-00

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 EB-08 FRB-01
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FOR COMMERCE PASS BREWER (LAD/OIM/BIC)

EO 11652: N/A

TAGS: BEXP, ECON, EGEN, PE

SUBJ: SUMMARY OF MARKET SURVEY ON EARTHMOVING AND MINING
EQUIPMENT

REF: USDOC 2488

1. FOLLOWING ARE MAJOR CONCLUSIONS OF POST-INITIATED MARKET
RESEARCH ON EARTHMOVING AND MINING EQUIPMENT IN CONNECTION WITH
PROJECTED USDOC TRADE MISSION IN JULY 1977:

A. PERU'S ALMOST TOTAL DEPENDENCE ON IMPORTED EARTHMOVING
AND MINING EQUIPMENT IS EXPECTED TO CONTINUE FOR THE FORESEEABLE
FUTURE.

B. LOCAL MANUFACTURE IS LIMITED TO SMALL ITEMS SUCH AS COMP-
RESSORS UNDER 40 HP, VENTILATORS, SMALL STEEL DRILLING BITS AND
SIMPLE INDUSTRIAL SCALES, EXTRACTORS, SCREENS AND CONCENTRATORS.
NONE OF FOREGOING ARE EXCLUDED FROM IMPORT EXCEPT COMPRESSORS
UNDER 40 HP.

C. PERU IS UNDERGOING A SEVERE SHORTAGE OF FOREIGN EXCHANGE
IN 1977. GOP HAS ESTABLISHED QUOTA SYSTEM TO APPORTION HARD
CURRENCY WHICH FALLS FAR SHORT OF SATISFYING END-USER DEMAND.

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HOWEVER, PROSPECTS FOR 1978 AND BEYOND ARE CONSIDERABLY BRIGHTER.
MOREOVER, SINCE THE MINING SECTOR IS THE GREATEST SINGLE EARNER
OF FOREIGN EXCHANGE, GOP IS FAVORING THIS SECTOR IN ALLOCATION
OF DOLLARS.

D. UNDER TIGHT MONEY SITUATION, PRICE BECOMES SINGLE MOST
IMPORTANT FACTOR IN MAKING SALE, CLOSELY FOLLOWED BY AVAILAB-

ILITY AND TERMS OF FINANCE. SERVICE IS ANOTHER KEY FACTOR. VIRTUALLY ALL COMPANIES INTERVIEWED INDICATED THAT US IS LESS COMPETITIVE TODAY THAN IN THE PAST IN ALL THESE FACTORS WHEN COMPARED WITH ITS MAJOR COMPETITORS FROM WESTERN EUROPE, JAPAN, AND TO LESSER EXTENT BRAZIL AND ARGENTINA. THESE COUNTRIES ARE MAKING DANGEROUS INROADS INTO WHAT HAD PREVIOUSLY BEEN FIELD HEAVILY DOMINATED BY UNITED STATES.

E. TRADE AND INDUSTRY SOURCES BELIEVE US WILL CONTINUE TO LOSE GROUND WITH RESPECT TO CERTAIN SHORT-TERM MACHINERY PRODUCTS. HOWEVER, US WILL CONTINUE IN ITS TRADITIONAL POSITION AS MAJOR SUPPLIER OF HEAVY EARTHMOVING EQUIPMENT AND MAJOR PIECES INTENDED FOR LONG-TERM USE IN MINING.

F. BEST SALES PROSPECTS FOR US SUPPLIERS INCLUDE DIESEL ENGINES; TRANSPORTERS; EXTRACTORS; MOTORIZED SCRAPES; CLAMSHELL DRAGLINES; SCREENS AND CONCENTRATORS; CONE CRUSHERS; TREADED TRACTORS; DREDGES; MINING BITS; AND EXCAVATION ATTACHMENTS. OTHER GOOD SALES POTENTIAL ITEMS INCLUDE EXCAVATING AND LEVELING EQUIPMENT, GRINDERS, AND TRUCK SCALES.

G. THERE EXIST NO CUSTOMS, CREDIT, OR TAX BARRIERS BARRING THE IMPORTATION OF EARTHMOVING AND MINING EQUIPMENT TO PERU, WITH THE SOLE EXCEPTION OF COMPRESSORS UNDER 40 HP.

H. MAJOR MINING EXPANSION PROJECTS ARE UNDERWAY IN PERU AND MANY ADDITIONAL PROJECTS ARE UNDER ACTIVE CONSIDERATION. PERUVIAN DEMAND FOR THIS TYPE OF EQUIPMENT WILL BE HEAVY AT LEAST FOR THE REMAINDER OF THIS CENTURY. PARTICIPATION BY UNCLASSIFIED

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AMERICAN FIRMS IN TRADE MISSIONS AND THE EXHIBITION OF US MINING EQUIPMENT AN INDUSTRIAL SHOWS SUCH AS THE UPCOMING TENTH INTERNATIONAL PACIFIC FAIR ARE THE BEST MEANS OF PROMOTING SALES AND ENSURING CONTINUED US DOMINANCE IN THIS LUCRATIVE FIELD.

2. FULL MARKET STUDY BEING AIRPOUCHED TO DEPARTMENT. ADVANCE COPY BEING SENT BREWER. (LAD/OIM/BIC.

3. WORK CONTINUING ON SEPARATE MARKET STUDY OF CONSTRUCTION INDUSTRY. SHOULD BE COMPLETED IN APPROXIMATELY THIRTY DAYS. MANY OF PRODUCTS USED IN EARTHMOVING AND MINING INDUSTRY ALSO USED BY CONSTRUCTION INDUSTRY. FURTHERMORE, MOST COMMENTS ON PERUVIAN ECONOMY AND MARKET CONDITIONS ALSO APPLY TO SALES PROSPECTS IN CONSTRUCTION FLELD. CONSTRUCTION IS ANOTHER PRIORITY AREA FOR GOP BECAUSE OF ITS LABOR INTENSIVE CHARACTERISTICS AND MULTIPLIER EFFECT. WE CAN ANTICIPATE SEVERAL GOP INCENTIVES TO STIMULATE CONSTRUCTION INDUSTRY BEFORE END OF YEAR.

4. COMATT KOHN CAN PROVIDE ADDITIONAL INFORMATION DURING CONSULTATIONS WASHINGTON WEEK OF APRIL 18.
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Disposition Comment:
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